



## 98TH GENERAL ASSEMBLY

### State of Illinois

2013 and 2014

HB3066

by Rep. Mike Fortner

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the Budget Stabilization Act. Makes changes concerning transfers from the General Revenue Fund to the Pension Stabilization Fund. Amends the State Universities and Downstate Teachers Articles of the Illinois Pension Code. Requires the Teachers' Retirement System to establish and maintain a self-managed plan one. Authorizes participants to irrevocably elect to participate in such a plan. Provides that, for the purpose of calculating traditional benefit package benefits and contributions, the annual salary of a participant may not, except under certain circumstances, exceed certain limits. Requires participation in the self-managed plan to the extent that a participant's salary exceeds the salary cap. Revises the schedule of contributions for participants. Shifts a portion of the employer contributions for downstate teachers and university employees from the State to the actual employer. Authorizes the boards of trustees of each of these retirement systems to triennially recalculate the normal cost of benefit plans that they offer. Defines "traditional benefit package" and "self-managed plan". Changes the formula for calculating the minimum required State contribution to these systems. Provides that the State is contractually obligated to pay the annual required State contribution to these retirement systems. Contains provisions requiring these retirement systems to bring a mandamus action to compel payment of the required State contribution. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB098 07778 EFG 37857 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

A BILL FOR

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 3. The Budget Stabilization Act is amended by  
5 changing Sections 20 and 25 as follows:

6 (30 ILCS 122/20)

7 Sec. 20. Pension Stabilization Fund.

8 (a) The Pension Stabilization Fund is hereby created as a  
9 special fund in the State treasury. Moneys in the fund shall be  
10 used for the sole purpose of making payments to the designated  
11 retirement systems as provided in Section 25.

12 (b) For each fiscal year when the General Assembly's  
13 appropriations and transfers or diversions as required by law  
14 from general funds do not exceed 99% of the estimated general  
15 funds revenues pursuant to subsection (a) of Section 10, the  
16 Comptroller shall transfer from the General Revenue Fund as  
17 provided by this Section a total amount equal to 0.5% of the  
18 estimated general funds revenues to the Pension Stabilization  
19 Fund.

20 (c) For each fiscal year through Fiscal Year 2013, when the  
21 General Assembly's appropriations and transfers or diversions  
22 as required by law from general funds do not exceed 98% of the  
23 estimated general funds revenues pursuant to subsection (b) of

1 Section 10, the Comptroller shall transfer from the General  
2 Revenue Fund as provided by this Section a total amount equal  
3 to 1.0% of the estimated general funds revenues to the Pension  
4 Stabilization Fund.

5 (c-5) In Fiscal Year 2014, the State Comptroller shall  
6 order transferred and the State Treasurer shall transfer  
7 \$3,400,000,000 from the General Revenue Fund to the Pension  
8 Stabilization Fund. In each fiscal year thereafter, the State  
9 Comptroller shall order transferred and the State Treasurer  
10 shall transfer from the General Revenue Fund to the Pension  
11 Stabilization Fund the amount transferred under this  
12 subsection (c-5) in the previous fiscal year increased by 1.5%.

13 (c-10) In addition, in Fiscal Year 2016 and each fiscal  
14 year thereafter, the State Comptroller shall order transferred  
15 and the State Treasurer shall transfer \$693,500,000 from the  
16 General Revenue Fund to the Pension Stabilization Fund.

17 (c-15) In addition, in Fiscal Year 2020 and each fiscal  
18 year thereafter, the State Comptroller shall order transferred  
19 and the State Treasurer shall transfer \$900,000,000 from the  
20 General Revenue Fund to the Pension Stabilization Fund.

21 (c-20) In addition, in Fiscal Year 2034 and each fiscal  
22 year thereafter, the State Comptroller shall order transferred  
23 and the State Treasurer shall transfer \$1,100,000,000 from the  
24 General Revenue Fund to the Pension Stabilization Fund.

25 (c-25) The transfers made pursuant to subsections (c-5)  
26 through (c-20) of this Section shall continue until Fiscal Year

1 2045 or until each of the designated retirement systems, as  
2 defined in Section 25, has achieved a funding ratio of at least  
3 100%, whichever occurs first.

4 (d) The Comptroller shall transfer 1/12 of the total amount  
5 to be transferred each fiscal year under this Section into the  
6 Pension Stabilization Fund on the first day of each month of  
7 that fiscal year or as soon thereafter as possible; except that  
8 the final transfer of the fiscal year shall be made as soon as  
9 practical after the August 31 following the end of the fiscal  
10 year.

11 Until Fiscal Year 2014, before ~~Before~~ the final transfer  
12 for a fiscal year is made, the Comptroller shall reconcile the  
13 estimated general funds revenues used in calculating the other  
14 transfers under this Section for that fiscal year with the  
15 actual general funds revenues for that fiscal year. The final  
16 transfer for the fiscal year shall be adjusted so that the  
17 total amount transferred under this Section for that fiscal  
18 year is equal to the percentage specified in subsection (b) or  
19 (c) of this Section, whichever is applicable, of the actual  
20 general funds revenues for that fiscal year. The actual general  
21 funds revenues for the fiscal year shall be calculated in a  
22 manner consistent with subsection (c) of Section 10 of this  
23 Act.

24 (Source: P.A. 94-839, eff. 6-6-06.)

1           Sec. 25. Transfers from the Pension Stabilization Fund.

2           (a) As used in this Section, "designated retirement  
3 systems" means:

4                 (1) the State Employees' Retirement System of  
5 Illinois;

6                 (2) the Teachers' Retirement System of the State of  
7 Illinois;

8                 (3) the State Universities Retirement System;

9                 (4) the Judges Retirement System of Illinois; and

10                (5) the General Assembly Retirement System.

11           (b) As soon as may be practical after any money is  
12 deposited into the Pension Stabilization Fund, the State  
13 Comptroller shall apportion the deposited amount among the  
14 designated retirement systems and the State Comptroller and  
15 State Treasurer shall pay the apportioned amounts to the  
16 designated retirement systems. The amount deposited shall be  
17 apportioned among the designated retirement systems in  
18 proportion to their respective certified State contributions  
19 for the State fiscal year in which the payment is made to those  
20 systems ~~in the same proportion as their respective portions of~~  
21 ~~the total actuarial reserve deficiency of the designated~~  
22 ~~retirement systems, as most recently determined by the~~  
23 ~~Governor's Office of Management and Budget.~~ Amounts received by  
24 a designated retirement system under this Section shall be used  
25 for funding the unfunded liabilities of the retirement system.  
26 Payments under this Section are authorized by the continuing

1 appropriation under Section 1.7 of the State Pension Funds  
2 Continuing Appropriation Act. The total amount transferred to  
3 the designated retirement systems in Fiscal Year 2014 shall not  
4 be less than \$3,400,000,000. In each Fiscal Year thereafter,  
5 the total amount transferred to the designated retirement  
6 systems shall not be less than the total amount transferred in  
7 the previous fiscal year.

8 (c) At the request of the State Comptroller, the Governor's  
9 Office of Management and Budget shall determine the individual  
10 and total actuarial reserve deficiencies of the designated  
11 retirement systems. For this purpose, the Governor's Office of  
12 Management and Budget shall consider the latest available audit  
13 and actuarial reports of each of the retirement systems and the  
14 relevant reports and statistics of the Public Pension Division  
15 of the Department of Financial and Professional Regulation.

16 (d) Payments to the designated retirement systems under  
17 this Section shall be in addition to, and not in lieu of, any  
18 State contributions required under Section 2-124, 14-131,  
19 15-155, 16-158, or 18-131 of the Illinois Pension Code.

20 (Source: P.A. 94-839, eff. 6-6-06.)

21 Section 5. The Illinois Pension Code is amended by adding  
22 Sections 15-112.1, 15-165.1, 16-121.1, 16-122.2, 16-122.3,  
23 16-158.2, and 16-181.4, and by changing Sections 15-111,  
24 15-155, 15-157, 15-158.2, 16-121, 16-152, and 16-158 as  
25 follows:

1 (40 ILCS 5/15-111) (from Ch. 108 1/2, par. 15-111)

2 Sec. 15-111. Earnings. "Earnings": An amount paid for  
3 personal services equal to the sum of the basic compensation  
4 plus extra compensation for summer teaching, overtime or other  
5 extra service. For periods for which an employee receives  
6 service credit under subsection (c) of Section 15-113.1 or  
7 Section 15-113.2, earnings are equal to the basic compensation  
8 on which contributions are paid by the employee during such  
9 periods. Compensation for employment which is irregular,  
10 intermittent and temporary shall not be considered earnings,  
11 unless the participant is also receiving earnings from the  
12 employer as an employee under Section 15-107.

13 With respect to transition pay paid by the University of  
14 Illinois to a person who was a participating employee employed  
15 in the fire department of the University of Illinois's  
16 Champaign-Urbana campus immediately prior to the elimination  
17 of that fire department:

18 (1) "Earnings" includes transition pay paid to the  
19 employee on or after the effective date of this amendatory  
20 Act of the 91st General Assembly.

21 (2) "Earnings" includes transition pay paid to the  
22 employee before the effective date of this amendatory Act  
23 of the 91st General Assembly only if (i) employee  
24 contributions under Section 15-157 have been withheld from  
25 that transition pay or (ii) the employee pays to the System

1 before January 1, 2001 an amount representing employee  
2 contributions under Section 15-157 on that transition pay.  
3 Employee contributions under item (ii) may be paid in a  
4 lump sum, by withholding from additional transition pay  
5 accruing before January 1, 2001, or in any other manner  
6 approved by the System. Upon payment of the employee  
7 contributions on transition pay, the corresponding  
8 employer contributions become an obligation of the State.

9 Notwithstanding any other provision of this Section,  
10 "earnings", except as used in Section 15-158.2, does not  
11 include any future increase in income due to a provision in a  
12 collectively bargained contract that grants an increase in  
13 earnings based on an employee's expected date of retirement.  
14 The changes made to this Section by this amendatory Act of the  
15 98th General Assembly do not apply to an employee who is  
16 covered by a collective bargaining agreement or employment  
17 contract that is in effect on the effective date of this  
18 amendatory Act of the 98th General Assembly and that provides  
19 for such increases, until that agreement or contract expires or  
20 is amended or renewed.

21 (Source: P.A. 91-887, eff. 7-6-00.)

22 (40 ILCS 5/15-112.1 new)

23 Sec. 15-112.1. Limitation on earnings and required  
24 participation in the self-managed plan.

25 (a) For the purpose of calculating traditional benefit

1 package benefits and contributions, the annual earnings,  
2 salary, or wages of a participant shall not exceed the greater  
3 of (i) the amount specified under subsection (b-5) of Section  
4 1-160 or (ii) the annual earnings of the participant during the  
5 365 days immediately before the effective date of this Section.  
6 If, however, an employment contract that is in place on or  
7 before the effective date of this Section authorizes an  
8 increase in earnings, salary, or wages on or after the  
9 effective date of this Section, then the annual earnings,  
10 salary, or wages of the participant during the 365 days that  
11 immediately precede the date that the contract expires may be  
12 used in lieu of the amount specified in item (ii) of this  
13 Section.

14 (b) Notwithstanding any other provision of this Code, (i)  
15 for a participant who does not make an election under Section  
16 15-134.5, any portion of his or her earnings that exceeds the  
17 limit specified in subsection (a) of this Section for that year  
18 shall be subject to the self-managed plan and (ii) for a  
19 participant who makes an election under Section 15-134.5, the  
20 entirety of the participant's earnings shall, after the date of  
21 the election, be subject to the self-managed plan created under  
22 this Section, as is provided in Section 15-158.2.

23 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

24 Sec. 15-155. Employer contributions.

25 (a) The State of Illinois shall make contributions by

1 appropriations of amounts which, together with the other  
2 employer contributions from trust, federal, and other funds,  
3 employee contributions, income from investments, and other  
4 income of this System, will be sufficient to meet the cost of  
5 maintaining and administering the System on a 100% ~~90%~~ funded  
6 basis in accordance with actuarial recommendations.

7 The Board shall determine the amount of State contributions  
8 required for each fiscal year on the basis of the actuarial  
9 tables and other assumptions adopted by the Board and the  
10 recommendations of the actuary, using the formula in subsection  
11 (a-1).

12 (a-1) For State fiscal years 2012 through 2045, the minimum  
13 contribution to the System to be made by the State for each  
14 fiscal year shall be an amount determined by the System to be  
15 sufficient to bring the total assets of the System up to 100%  
16 ~~90%~~ of the total actuarial liabilities of the System by the end  
17 of State fiscal year 2045.

18 Pursuant to Article XIII of the 1970 Constitution of the  
19 State of Illinois, beginning on July 1, 2013, the State shall,  
20 as a retirement benefit to each participant and annuitant of  
21 the System be contractually obligated to the System (as a  
22 fiduciary and trustee of the participants and annuitants) to  
23 pay the Annual Required State Contribution, as determined by  
24 the Board of the System using generally accepted actuarial  
25 principles, as is necessary to bring the total assets of the  
26 System up to 100% of the total actuarial liabilities of the

1 System by the end of State fiscal year 2045. As a further  
2 retirement benefit and contractual obligation, each fiscal  
3 year, the State shall pay to each designated retirement system  
4 the Annual Required State Contribution certified by the Board  
5 for that fiscal year. Payments of the Annual Required State  
6 Contribution for each fiscal year shall be made in equal  
7 monthly installments. This Section, and the security it  
8 provides to participants and annuitants is intended to be, and  
9 is, a contractual right that is part of the pension benefits  
10 provided to the participants and annuitants. Notwithstanding  
11 anything to the contrary in the Court of Claims Act or any  
12 other law, a designated retirement system has the exclusive  
13 right to and shall bring a Mandamus action in the Circuit Court  
14 of Champaign County against the State to compel the State to  
15 make any installment of the Annual Required State Contribution  
16 required by this Section, irrespective of other remedies that  
17 may be available to the System. Each member or annuitant of the  
18 System has the right to bring a Mandamus action against the  
19 System in the Circuit Court in any judicial district in which  
20 the System maintains an office if the System fails to bring an  
21 action specified in this Section, irrespective of other  
22 remedies that may be available to the member or annuitant. ~~In~~  
23 making these determinations, the required State contribution  
24 shall be calculated each year as a level percentage of payroll  
25 over the years remaining to and including fiscal year 2045 and  
26 shall be determined under the projected unit credit actuarial

1 ~~cost method.~~

2 For State fiscal years 1996 through 2005, the State  
3 contribution to the System, as a percentage of the applicable  
4 employee payroll, shall be increased in equal annual increments  
5 so that by State fiscal year 2011, the State is contributing at  
6 the rate required under this Section.

7 Notwithstanding any other provision of this Article, the  
8 total required State contribution for State fiscal year 2006 is  
9 \$166,641,900.

10 Notwithstanding any other provision of this Article, the  
11 total required State contribution for State fiscal year 2007 is  
12 \$252,064,100.

13 For each of State fiscal years 2008 through 2009, the State  
14 contribution to the System, as a percentage of the applicable  
15 employee payroll, shall be increased in equal annual increments  
16 from the required State contribution for State fiscal year  
17 2007, so that by State fiscal year 2011, the State is  
18 contributing at the rate otherwise required under this Section.

19 Notwithstanding any other provision of this Article, the  
20 total required State contribution for State fiscal year 2010 is  
21 \$702,514,000 and shall be made from the State Pensions Fund and  
22 proceeds of bonds sold in fiscal year 2010 pursuant to Section  
23 7.2 of the General Obligation Bond Act, less (i) the pro rata  
24 share of bond sale expenses determined by the System's share of  
25 total bond proceeds, (ii) any amounts received from the General  
26 Revenue Fund in fiscal year 2010, (iii) any reduction in bond

1 proceeds due to the issuance of discounted bonds, if  
2 applicable.

3 Notwithstanding any other provision of this Article, the  
4 total required State contribution for State fiscal year 2011 is  
5 the amount recertified by the System on or before April 1, 2011  
6 pursuant to Section 15-165 and shall be made from the State  
7 Pensions Fund and proceeds of bonds sold in fiscal year 2011  
8 pursuant to Section 7.2 of the General Obligation Bond Act,  
9 less (i) the pro rata share of bond sale expenses determined by  
10 the System's share of total bond proceeds, (ii) any amounts  
11 received from the General Revenue Fund in fiscal year 2011, and  
12 (iii) any reduction in bond proceeds due to the issuance of  
13 discounted bonds, if applicable.

14 Beginning in State fiscal year 2046, the minimum State  
15 contribution for each fiscal year shall be the amount needed to  
16 maintain the total assets of the System at 100% ~~90%~~ of the  
17 total actuarial liabilities of the System.

18 Amounts received by the System pursuant to Section 25 of  
19 the Budget Stabilization Act or Section 8.12 of the State  
20 Finance Act in any fiscal year do not reduce and do not  
21 constitute payment of any portion of the minimum State  
22 contribution required under this Article in that fiscal year.  
23 Such amounts shall not reduce, and shall not be included in the  
24 calculation of, the required State contributions under this  
25 Article in any future year until the System has reached a  
26 funding ratio of at least 90%. A reference in this Article to

1 the "required State contribution" or any substantially similar  
2 term does not include or apply to any amounts payable to the  
3 System under Section 25 of the Budget Stabilization Act.

4 Notwithstanding any other provision of this Section, the  
5 required State contribution for State fiscal year 2005 and for  
6 fiscal year 2008 and each fiscal year thereafter, as calculated  
7 under this Section and certified under Section 15-165, shall  
8 not exceed an amount equal to (i) the amount of the required  
9 State contribution that would have been calculated under this  
10 Section for that fiscal year if the System had not received any  
11 payments under subsection (d) of Section 7.2 of the General  
12 Obligation Bond Act, minus (ii) the portion of the State's  
13 total debt service payments for that fiscal year on the bonds  
14 issued in fiscal year 2003 for the purposes of that Section  
15 7.2, as determined and certified by the Comptroller, that is  
16 the same as the System's portion of the total moneys  
17 distributed under subsection (d) of Section 7.2 of the General  
18 Obligation Bond Act. In determining this maximum for State  
19 fiscal years 2008 through 2010, however, the amount referred to  
20 in item (i) shall be increased, as a percentage of the  
21 applicable employee payroll, in equal increments calculated  
22 from the sum of the required State contribution for State  
23 fiscal year 2007 plus the applicable portion of the State's  
24 total debt service payments for fiscal year 2007 on the bonds  
25 issued in fiscal year 2003 for the purposes of Section 7.2 of  
26 the General Obligation Bond Act, so that, by State fiscal year

1 2011, the State is contributing at the rate otherwise required  
2 under this Section.

3 (b) If an employee is paid from trust or federal funds, the  
4 employer shall pay to the Board contributions from those funds  
5 which are sufficient to cover the accruing normal costs on  
6 behalf of the employee. However, universities having employees  
7 who are compensated out of local auxiliary funds, income funds,  
8 or service enterprise funds are not required to pay such  
9 contributions on behalf of those employees. The local auxiliary  
10 funds, income funds, and service enterprise funds of  
11 universities shall not be considered trust funds for the  
12 purpose of this Article, but funds of alumni associations,  
13 foundations, and athletic associations which are affiliated  
14 with the universities included as employers under this Article  
15 and other employers which do not receive State appropriations  
16 are considered to be trust funds for the purpose of this  
17 Article.

18 (b-1) The City of Urbana and the City of Champaign shall  
19 each make employer contributions to this System for their  
20 respective firefighter employees who participate in this  
21 System pursuant to subsection (h) of Section 15-107. The rate  
22 of contributions to be made by those municipalities shall be  
23 determined annually by the Board on the basis of the actuarial  
24 assumptions adopted by the Board and the recommendations of the  
25 actuary, and shall be expressed as a percentage of salary for  
26 each such employee. The Board shall certify the rate to the

1 affected municipalities as soon as may be practical. The  
2 employer contributions required under this subsection shall be  
3 remitted by the municipality to the System at the same time and  
4 in the same manner as employee contributions.

5 (c) Through State fiscal year 1995: The total employer  
6 contribution shall be apportioned among the various funds of  
7 the State and other employers, whether trust, federal, or other  
8 funds, in accordance with actuarial procedures approved by the  
9 Board. State of Illinois contributions for employers receiving  
10 State appropriations for personal services shall be payable  
11 from appropriations made to the employers or to the System. The  
12 contributions for Class I community colleges covering earnings  
13 other than those paid from trust and federal funds, shall be  
14 payable solely from appropriations to the Illinois Community  
15 College Board or the System for employer contributions.

16 (d) Beginning in State fiscal year 1996, the required State  
17 contributions to the System shall be appropriated directly to  
18 the System and shall be payable through vouchers issued in  
19 accordance with subsection (c) of Section 15-165, except as  
20 provided in subsection (g).

21 (e) The State Comptroller shall draw warrants payable to  
22 the System upon proper certification by the System or by the  
23 employer in accordance with the appropriation laws and this  
24 Code.

25 (f) Normal costs under this Section means liability for  
26 pensions and other benefits which accrues to the System because

1 of the credits earned for service rendered by the participants  
2 during the fiscal year and expenses of administering the  
3 System, but shall not include the principal of or any  
4 redemption premium or interest on any bonds issued by the Board  
5 or any expenses incurred or deposits required in connection  
6 therewith.

7 (g) If the amount of a participant's earnings for any  
8 academic year used to determine the final rate of earnings,  
9 determined on a full-time equivalent basis, exceeds the amount  
10 of his or her earnings with the same employer for the previous  
11 academic year, determined on a full-time equivalent basis, by  
12 more than 6%, the participant's employer shall pay to the  
13 System, in addition to all other payments required under this  
14 Section and in accordance with guidelines established by the  
15 System, the present value of the increase in benefits resulting  
16 from the portion of the increase in earnings that is in excess  
17 of 6%. This present value shall be computed by the System on  
18 the basis of the actuarial assumptions and tables used in the  
19 most recent actuarial valuation of the System that is available  
20 at the time of the computation. The System may require the  
21 employer to provide any pertinent information or  
22 documentation.

23 Whenever it determines that a payment is or may be required  
24 under this subsection (g), the System shall calculate the  
25 amount of the payment and bill the employer for that amount.  
26 The bill shall specify the calculations used to determine the

1 amount due. If the employer disputes the amount of the bill, it  
2 may, within 30 days after receipt of the bill, apply to the  
3 System in writing for a recalculation. The application must  
4 specify in detail the grounds of the dispute and, if the  
5 employer asserts that the calculation is subject to subsection  
6 (h) or (i) of this Section, must include an affidavit setting  
7 forth and attesting to all facts within the employer's  
8 knowledge that are pertinent to the applicability of subsection  
9 (h) or (i). Upon receiving a timely application for  
10 recalculation, the System shall review the application and, if  
11 appropriate, recalculate the amount due.

12 The employer contributions required under this subsection  
13 (f) may be paid in the form of a lump sum within 90 days after  
14 receipt of the bill. If the employer contributions are not paid  
15 within 90 days after receipt of the bill, then interest will be  
16 charged at a rate equal to the System's annual actuarially  
17 assumed rate of return on investment compounded annually from  
18 the 91st day after receipt of the bill. Payments must be  
19 concluded within 3 years after the employer's receipt of the  
20 bill.

21 (h) This subsection (h) applies only to payments made or  
22 salary increases given on or after June 1, 2005 but before July  
23 1, 2011. The changes made by Public Act 94-1057 shall not  
24 require the System to refund any payments received before July  
25 31, 2006 (the effective date of Public Act 94-1057).

26 When assessing payment for any amount due under subsection

1 (g), the System shall exclude earnings increases paid to  
2 participants under contracts or collective bargaining  
3 agreements entered into, amended, or renewed before June 1,  
4 2005.

5 When assessing payment for any amount due under subsection  
6 (g), the System shall exclude earnings increases paid to a  
7 participant at a time when the participant is 10 or more years  
8 from retirement eligibility under Section 15-135.

9 When assessing payment for any amount due under subsection  
10 (g), the System shall exclude earnings increases resulting from  
11 overload work, including a contract for summer teaching, or  
12 overtime when the employer has certified to the System, and the  
13 System has approved the certification, that: (i) in the case of  
14 overloads (A) the overload work is for the sole purpose of  
15 academic instruction in excess of the standard number of  
16 instruction hours for a full-time employee occurring during the  
17 academic year that the overload is paid and (B) the earnings  
18 increases are equal to or less than the rate of pay for  
19 academic instruction computed using the participant's current  
20 salary rate and work schedule; and (ii) in the case of  
21 overtime, the overtime was necessary for the educational  
22 mission.

23 When assessing payment for any amount due under subsection  
24 (g), the System shall exclude any earnings increase resulting  
25 from (i) a promotion for which the employee moves from one  
26 classification to a higher classification under the State

1 Universities Civil Service System, (ii) a promotion in academic  
2 rank for a tenured or tenure-track faculty position, or (iii) a  
3 promotion that the Illinois Community College Board has  
4 recommended in accordance with subsection (k) of this Section.  
5 These earnings increases shall be excluded only if the  
6 promotion is to a position that has existed and been filled by  
7 a member for no less than one complete academic year and the  
8 earnings increase as a result of the promotion is an increase  
9 that results in an amount no greater than the average salary  
10 paid for other similar positions.

11 (i) When assessing payment for any amount due under  
12 subsection (g), the System shall exclude any salary increase  
13 described in subsection (h) of this Section given on or after  
14 July 1, 2011 but before July 1, 2014 under a contract or  
15 collective bargaining agreement entered into, amended, or  
16 renewed on or after June 1, 2005 but before July 1, 2011.  
17 Notwithstanding any other provision of this Section, any  
18 payments made or salary increases given after June 30, 2014  
19 shall be used in assessing payment for any amount due under  
20 subsection (g) of this Section.

21 (j) The System shall prepare a report and file copies of  
22 the report with the Governor and the General Assembly by  
23 January 1, 2007 that contains all of the following information:

24 (1) The number of recalculations required by the  
25 changes made to this Section by Public Act 94-1057 for each  
26 employer.

1           (2) The dollar amount by which each employer's  
2           contribution to the System was changed due to  
3           recalculations required by Public Act 94-1057.

4           (3) The total amount the System received from each  
5           employer as a result of the changes made to this Section by  
6           Public Act 94-4.

7           (4) The increase in the required State contribution  
8           resulting from the changes made to this Section by Public  
9           Act 94-1057.

10          (k) The Illinois Community College Board shall adopt rules  
11          for recommending lists of promotional positions submitted to  
12          the Board by community colleges and for reviewing the  
13          promotional lists on an annual basis. When recommending  
14          promotional lists, the Board shall consider the similarity of  
15          the positions submitted to those positions recognized for State  
16          universities by the State Universities Civil Service System.  
17          The Illinois Community College Board shall file a copy of its  
18          findings with the System. The System shall consider the  
19          findings of the Illinois Community College Board when making  
20          determinations under this Section. The System shall not exclude  
21          any earnings increases resulting from a promotion when the  
22          promotion was not submitted by a community college. Nothing in  
23          this subsection (k) shall require any community college to  
24          submit any information to the Community College Board.

25          (1) For purposes of determining the required State  
26          contribution to the System, the value of the System's assets

1 shall be equal to the actuarial value of the System's assets,  
2 which shall be calculated as follows:

3 As of June 30, 2008, the actuarial value of the System's  
4 assets shall be equal to the market value of the assets as of  
5 that date. In determining the actuarial value of the System's  
6 assets for fiscal years after June 30, 2008, any actuarial  
7 gains or losses from investment return incurred in a fiscal  
8 year shall be recognized in equal annual amounts over the  
9 5-year period following that fiscal year.

10 (m) For purposes of determining the required State  
11 contribution to the system for a particular year, the actuarial  
12 value of assets shall be assumed to earn a rate of return equal  
13 to the system's actuarially assumed rate of return.

14 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;  
15 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.  
16 7-13-12.)

17 (40 ILCS 5/15-157) (from Ch. 108 1/2, par. 15-157)

18 Sec. 15-157. Employee Contributions.

19 (a) Each participating employee shall make contributions  
20 towards the retirement benefits payable under the retirement  
21 program applicable to the employee from each payment of  
22 earnings applicable to employment under this system on and  
23 after the date of becoming a participant as follows: Prior to  
24 September 1, 1949, 3 1/2% of earnings; from September 1, 1949  
25 to August 31, 1955, 5%; from September 1, 1955 to August 31,

1 1969, 6%; from September 1, 1969, 6 1/2%. These contributions  
2 are to be considered as normal contributions for purposes of  
3 this Article.

4 Each participant who is a police officer or firefighter  
5 shall make normal contributions of 8% of each payment of  
6 earnings applicable to employment as a police officer or  
7 firefighter under this system on or after September 1, 1981,  
8 unless he or she files with the board within 60 days after the  
9 effective date of this amendatory Act of 1991 or 60 days after  
10 the board receives notice that he or she is employed as a  
11 police officer or firefighter, whichever is later, a written  
12 notice waiving the retirement formula provided by Rule 4 of  
13 Section 15-136. This waiver shall be irrevocable. If a  
14 participant had met the conditions set forth in Section  
15 15-132.1 prior to the effective date of this amendatory Act of  
16 1991 but failed to make the additional normal contributions  
17 required by this paragraph, he or she may elect to pay the  
18 additional contributions plus compound interest at the  
19 effective rate. If such payment is received by the board, the  
20 service shall be considered as police officer service in  
21 calculating the retirement annuity under Rule 4 of Section  
22 15-136. While performing service described in clause (i) or  
23 (ii) of Rule 4 of Section 15-136, a participating employee  
24 shall be deemed to be employed as a firefighter for the purpose  
25 of determining the rate of employee contributions under this  
26 Section.

1           (b) Starting September 1, 1969, each participating  
2 employee shall make additional contributions of 1/2 of 1% of  
3 earnings to finance a portion of the cost of the annual  
4 increases in retirement annuity provided under Section 15-136,  
5 except that with respect to participants in the self-managed  
6 plan this additional contribution shall be used to finance the  
7 benefits obtained under that retirement program.

8           (c) In addition to the amounts described in subsections (a)  
9 and (b) of this Section, each participating employee shall make  
10 contributions of 1% of earnings applicable under this system on  
11 and after August 1, 1959. The contributions made under this  
12 subsection (c) shall be considered as survivor's insurance  
13 contributions for purposes of this Article if the employee is  
14 covered under the traditional benefit package, and such  
15 contributions shall be considered as additional contributions  
16 for purposes of this Article if the employee is participating  
17 in the self-managed plan or has elected to participate in the  
18 portable benefit package and has completed the applicable  
19 one-year waiting period. Contributions in excess of \$80 during  
20 any fiscal year beginning before August 31, 1969 and in excess  
21 of \$120 during any fiscal year thereafter until September 1,  
22 1971 shall be considered as additional contributions for  
23 purposes of this Article.

24           (d) If the board by board rule so permits and subject to  
25 such conditions and limitations as may be specified in its  
26 rules, a participant may make other additional contributions of

1 such percentage of earnings or amounts as the participant shall  
2 elect in a written notice thereof received by the board.

3 (e) That fraction of a participant's total accumulated  
4 normal contributions, the numerator of which is equal to the  
5 number of years of service in excess of that which is required  
6 to qualify for the maximum retirement annuity, and the  
7 denominator of which is equal to the total service of the  
8 participant, shall be considered as accumulated additional  
9 contributions. The determination of the applicable maximum  
10 annuity and the adjustment in contributions required by this  
11 provision shall be made as of the date of the participant's  
12 retirement.

13 (f) Notwithstanding the foregoing, a participating  
14 employee shall not be required to make contributions under this  
15 Section after the date upon which continuance of such  
16 contributions would otherwise cause his or her retirement  
17 annuity to exceed the maximum retirement annuity as specified  
18 in clause (1) of subsection (c) of Section 15-136.

19 (g) A participating employee may make contributions for the  
20 purchase of service credit under this Article.

21 (h) Notwithstanding any provision of this Code to the  
22 contrary, (i) for a member who does not file an election under  
23 subsection (e) of Section 15-158.2, any contributions on  
24 amounts of earnings in excess of the limit specified in Section  
25 15-112.1 for that year shall instead be used to finance  
26 self-managed plan benefits and (ii) for a member who files an

1 election under subsection (e) of Section 15-158.2, any  
2 contributions made after the date of the election, including  
3 the contributions for a survivor's annuity, shall be used to  
4 finance the benefits under Section 15-158.2. Notwithstanding  
5 any provision of this Code to the contrary, a member who does  
6 not file an election under subsection (a-5) of Section 15-158.2  
7 shall contribute towards the traditional benefit package a  
8 percentage of earnings equal to the greater of (i) one-half of  
9 the normal cost of the traditional benefit package or (ii) 6%  
10 of earnings.

11 (Source: P.A. 90-32, eff. 6-27-97; 90-65, eff. 7-7-97; 90-448,  
12 eff. 8-16-97; 90-511, eff. 8-22-97; 90-576, eff. 3-31-98;  
13 90-655, eff. 7-30-98; 90-766, eff. 8-14-98.)

14 (40 ILCS 5/15-158.2)

15 Sec. 15-158.2. Self-managed plan.

16 (a) Purpose. The General Assembly finds that it is  
17 important for colleges and universities to be able to attract  
18 and retain the most qualified employees and that in order to  
19 attract and retain these employees, colleges and universities  
20 should have the flexibility to provide a defined contribution  
21 plan as an alternative for eligible employees who elect not to  
22 participate in a defined benefit retirement program provided  
23 under this Article. Accordingly, the State Universities  
24 Retirement System is hereby authorized to establish and  
25 administer a self-managed plan, which shall offer

1 participating employees the opportunity to accumulate assets  
2 for retirement through a combination of employee and employer  
3 contributions that may be invested in mutual funds, collective  
4 investment funds, or other investment products and used to  
5 purchase annuity contracts, either fixed or variable or a  
6 combination thereof. The plan must be qualified under the  
7 Internal Revenue Code of 1986.

8 (b) Adoption by employers. Each employer subject to this  
9 Article may elect to adopt the self-managed plan established  
10 under this Section; this election is irrevocable. An employer's  
11 election to adopt the self-managed plan makes available to the  
12 eligible employees of that employer the elections described in  
13 Section 15-134.5.

14 The State Universities Retirement System shall be the plan  
15 sponsor for the self-managed plan and shall prepare a plan  
16 document and prescribe such rules and procedures as are  
17 considered necessary or desirable for the administration of the  
18 self-managed plan. Consistent with its fiduciary duty to the  
19 participants and beneficiaries of the self-managed plan, the  
20 Board of Trustees of the System may delegate aspects of plan  
21 administration as it sees fit to companies authorized to do  
22 business in this State, to the employers, or to a combination  
23 of both.

24 (c) Selection of service providers and funding vehicles.  
25 The System, in consultation with the employers, shall solicit  
26 proposals to provide administrative services and funding

1 vehicles for the self-managed plan from insurance and annuity  
2 companies and mutual fund companies, banks, trust companies, or  
3 other financial institutions authorized to do business in this  
4 State. In reviewing the proposals received and approving and  
5 contracting with no fewer than 2 and no more than 7 companies,  
6 the Board of Trustees of the System shall consider, among other  
7 things, the following criteria:

8 (1) the nature and extent of the benefits that would be  
9 provided to the participants;

10 (2) the reasonableness of the benefits in relation to  
11 the premium charged;

12 (3) the suitability of the benefits to the needs and  
13 interests of the participating employees and the employer;

14 (4) the ability of the company to provide benefits  
15 under the contract and the financial stability of the  
16 company; and

17 (5) the efficacy of the contract in the recruitment and  
18 retention of employees.

19 The System, in consultation with the employers, shall  
20 periodically review each approved company. A company may  
21 continue to provide administrative services and funding  
22 vehicles for the self-managed plan only so long as it continues  
23 to be an approved company under contract with the Board.

24 (d) Employee Direction. Employees who are participating in  
25 the program must be allowed to direct the transfer of their  
26 account balances among the various investment options offered,

1 subject to applicable contractual provisions. The participant  
2 shall not be deemed a fiduciary by reason of providing such  
3 investment direction. A person who is a fiduciary shall not be  
4 liable for any loss resulting from such investment direction  
5 and shall not be deemed to have breached any fiduciary duty by  
6 acting in accordance with that direction. Neither the System  
7 nor the employer guarantees any of the investments in the  
8 employee's account balances.

9 (e) Participation. An employee eligible to participate in  
10 the self-managed plan must make a written election in  
11 accordance with the provisions of Section 15-134.5 and the  
12 procedures established by the System or become subject to the  
13 limitation specified in Section 15-112.1. Participation in the  
14 self-managed plan by an ~~electing~~ employee shall begin on the  
15 first day of the first pay period following the later of the  
16 date the employee's election is filed with the System, ~~or~~ the  
17 effective date as of which the employee's employer begins to  
18 offer participation in the self-managed plan, or the date the  
19 participant's annual earnings exceeds the limitation specified  
20 in Section 15-112.1. Employers may not make the self-managed  
21 plan available earlier than January 1, 1998. An employee's  
22 participation in any other retirement program administered by  
23 the System under this Article shall terminate on the date that  
24 participation in the self-managed plan begins.

25 An employee who participates ~~has elected to participate~~ in  
26 the self-managed plan under this Section must continue

1 participation while employed in an eligible position, and may  
2 not participate in any other retirement program administered by  
3 the System under this Article while employed by that employer  
4 or any other employer that has adopted the self-managed plan,  
5 unless the self-managed plan is terminated in accordance with  
6 subsection (i).

7 Participation in the self-managed plan under this Section  
8 shall constitute membership in the State Universities  
9 Retirement System.

10 A participant under this Section shall be entitled to the  
11 benefits of Article 20 of this Code.

12 (f) Establishment of Initial Account Balance. If at the  
13 time an employee elects to participate in the self-managed plan  
14 he or she has rights and credits in the System due to previous  
15 participation in the traditional benefit package, the System  
16 shall establish for the employee an opening account balance in  
17 the self-managed plan, equal to the amount of contribution  
18 refund that the employee would be eligible to receive under  
19 Section 15-154 if the employee terminated employment on that  
20 date and elected a refund of contributions, except that this  
21 hypothetical refund shall include interest at the effective  
22 rate for the respective years. The System shall transfer assets  
23 from the defined benefit retirement program to the self-managed  
24 plan, as a tax free transfer in accordance with Internal  
25 Revenue Service guidelines, for purposes of funding the  
26 employee's opening account balance.

1 (g) No Duplication of Service Credit. Notwithstanding any  
2 other provision of this Article, an employee may not purchase  
3 or receive service or service credit applicable to any other  
4 retirement program administered by the System under this  
5 Article for any period during which the employee was a  
6 participant in the self-managed plan established under this  
7 Section.

8 (h) Contributions.

9 (1) The self-managed plan shall be funded by  
10 contributions from employees participating in the  
11 self-managed plan and employer contributions as provided  
12 in this Section.

13 (A) Before the effective date of this amendatory  
14 Act of the 98th General Assembly, the ~~The~~ contribution  
15 rate for employees participating in the self-managed  
16 plan under this Section shall be equal to the employee  
17 contribution rate for other participants in the  
18 System, as provided in Section 15-157. This required  
19 contribution shall be made as an "employer pick-up"  
20 under Section 414(h) of the Internal Revenue Code of  
21 1986 or any successor Section thereof. Any employee  
22 participating in the System's traditional benefit  
23 package prior to his or her election to participate in  
24 the self-managed plan shall continue to have the  
25 employer pick up the contributions required under  
26 Section 15-157. However, the amounts picked up after

1 the election of the self-managed plan shall be remitted  
2 to and treated as assets of the self-managed plan. In  
3 no event shall an employee have an option of receiving  
4 these amounts in cash. Employees may make additional  
5 contributions to the self-managed plan in accordance  
6 with procedures prescribed by the System, to the extent  
7 permitted under rules prescribed by the System.

8 (B) On and after the effective date of this  
9 amendatory Act of the 98th General Assembly, the  
10 contribution rate for participants in the self-managed  
11 plan shall be, (i) for a participant who does not file  
12 an election under subsection (e) of this Section, 6% of  
13 the amount of earnings in excess of the limit specified  
14 in 15-112.1 for that year, in addition to the amount  
15 specified under subsection (h) of Section 15-157 for  
16 that year and (ii) for a participant who files an  
17 election under subsection (e) of this Section, 8% of  
18 any amount of earnings up to and including the limit  
19 specified in Section 15-112.1 for that year and 6% of  
20 any amount of earnings in excess of that limit for that  
21 year. This required contribution shall be made as an  
22 employer pick-up under Section 414(h) of the Internal  
23 Revenue Code of 1986 or any successor Section thereof.  
24 Any participant in the System's traditional benefit  
25 package prior to his or her election to participate in  
26 the self-managed plan shall continue to have the

1 employer pick up the contributions required under  
2 Section 15-157. However, the amounts picked up after  
3 the election of the self-managed plan shall be remitted  
4 to and treated as assets of the self-managed plan. In  
5 no event shall a participant have the option of  
6 receiving these amounts in cash. Participants may make  
7 additional contributions to the self-managed plan in  
8 accordance with procedures prescribed by the System,  
9 to the extent permitted under rules adopted by the  
10 System.

11 (2) The program shall provide for employer and State  
12 contributions to the self-managed plan in the following  
13 amounts: (i) for a member who does not file an election  
14 under subsection (e) of this Section, 3% of the amount of  
15 earnings in excess of the limit specified in Section  
16 15-112.1 for that year, to be paid by the actual employer,  
17 and (ii) for a member who files an election under  
18 subsection (e) of this Section, 7.1% of any amount of  
19 earnings up to and including the limit specified in Section  
20 15-112.1 for that year, to be paid by the State, and 3% of  
21 any amount of earnings in excess of that limit for that  
22 year, to be paid by the actual employer.

23 The program shall provide for these employer and State  
24 contributions to be credited to each self-managed plan  
25 participant ~~at a rate of 7.6% of the participating~~  
26 ~~employee's salary,~~ less the amount used by the System to

1 provide disability benefits for the employee. The amounts  
2 so credited shall be paid into the participant's  
3 self-managed plan accounts in a manner to be prescribed by  
4 the System.

5 (3) An amount of employer contribution, not exceeding  
6 1% of the participating employee's salary, shall be used  
7 for the purpose of providing the disability benefits of the  
8 System to the employee. Prior to the beginning of each plan  
9 year under the self-managed plan, the Board of Trustees  
10 shall determine, as a percentage of salary, the amount of  
11 employer contributions to be allocated during that plan  
12 year for providing disability benefits for employees in the  
13 self-managed plan.

14 (4) The State of Illinois shall make contributions by  
15 appropriations to the System of the employer contributions  
16 required for employees who participate in the self-managed  
17 plan under this Section. The amount required shall be  
18 certified by the Board of Trustees of the System and paid  
19 by the State in accordance with Section 15-165. The System  
20 shall not be obligated to remit the required employer  
21 contributions to any of the insurance and annuity  
22 companies, mutual fund companies, banks, trust companies,  
23 financial institutions, or other sponsors of any of the  
24 funding vehicles offered under the self-managed plan until  
25 it has received the required employer contributions from  
26 the State. In the event of a deficiency in the amount of

1 State contributions, the System shall implement those  
2 procedures described in subsection (c) of Section 15-165 to  
3 obtain the required funding from the General Revenue Fund.

4 (i) Termination. The self-managed plan authorized under  
5 this Section may be terminated by the System, subject to the  
6 terms of any relevant contracts, and the System shall have no  
7 obligation to reestablish the self-managed plan under this  
8 Section. This Section does not create a right to continued  
9 participation in any self-managed plan set up by the System  
10 under this Section. If the self-managed plan is terminated, the  
11 participants shall have the right to participate in one of the  
12 other retirement programs offered by the System and receive  
13 service credit in such other retirement program for any years  
14 of employment following the termination.

15 (j) Vesting; Withdrawal; Return to Service. A participant  
16 in the self-managed plan becomes vested in the employer  
17 contributions credited to his or her accounts in the  
18 self-managed plan on the earliest to occur of the following:  
19 (1) completion of 5 years of service with an employer described  
20 in Section 15-106; (2) the death of the participating employee  
21 while employed by an employer described in Section 15-106, if  
22 the participant has completed at least 1 1/2 years of service;  
23 or (3) the participant's election to retire and apply the  
24 reciprocal provisions of Article 20 of this Code.

25 A participant in the self-managed plan who receives a  
26 distribution of his or her vested amounts from the self-managed

1 plan while not yet eligible for retirement under this Article  
2 (and Article 20, if applicable) shall forfeit all service  
3 credit and accrued rights in the System; if subsequently  
4 re-employed, the participant shall be considered a new  
5 employee. If a former participant again becomes a participating  
6 employee (or becomes employed by a participating system under  
7 Article 20 of this Code) and continues as such for at least 2  
8 years, all such rights, service credits, and previous status as  
9 a participant shall be restored upon repayment of the amount of  
10 the distribution, without interest.

11 (k) Benefit amounts. If an employee who is vested in  
12 employer contributions terminates employment, the employee  
13 shall be entitled to a benefit which is based on the account  
14 values attributable to both employer and employee  
15 contributions and any investment return thereon.

16 If an employee who is not vested in employer contributions  
17 terminates employment, the employee shall be entitled to a  
18 benefit based solely on the account values attributable to the  
19 employee's contributions and any investment return thereon,  
20 and the employer contributions and any investment return  
21 thereon shall be forfeited. Any employer contributions which  
22 are forfeited shall be held in escrow by the company investing  
23 those contributions and shall be used as directed by the System  
24 for future allocations of employer contributions or for the  
25 restoration of amounts previously forfeited by former  
26 participants who again become participating employees.

1 (Source: P.A. 93-347, eff. 7-24-03.)

2 (40 ILCS 5/15-165.1 new)

3 Sec. 15-165.1. To calculate the normal cost of benefits. To  
4 calculate the normal cost of each plan offered by the system as  
5 a percentage of earnings and to update those amounts at least  
6 every 3 years.

7 (40 ILCS 5/16-121) (from Ch. 108 1/2, par. 16-121)

8 Sec. 16-121. Salary. "Salary": The actual compensation  
9 received by a teacher during any school year and recognized by  
10 the system in accordance with rules of the board. For purposes  
11 of this Section, "school year" includes the regular school term  
12 plus any additional period for which a teacher is compensated  
13 and such compensation is recognized by the rules of the board.  
14 Notwithstanding any other provision of this Section, "salary",  
15 except as used in Section 16-158.2, does not include any future  
16 increase in income due to a provision in a collectively  
17 bargained contract that grants an increase in salary based on a  
18 teacher's expected date of retirement. The changes made to this  
19 Section by this amendatory Act of the 98th General Assembly do  
20 not apply to a teacher who is covered by a collective  
21 bargaining agreement or employment contract that is in effect  
22 on the effective date of this amendatory Act of the 98th  
23 General Assembly and that provides for such increases, until  
24 that agreement or contract expires or is amended or renewed.

1 (Source: P.A. 84-1028.)

2 (40 ILCS 5/16-121.1 new)

3 Sec. 16-121.1. Limitation on salary. For the purpose of  
4 calculating traditional benefit package benefits and  
5 contributions, the annual earnings, salary, or wages of a  
6 member shall not exceed the greater of (i) the amount specified  
7 under subsection (b-5) of Section 1-160 or (ii) the annual  
8 salary of the member during the 365 days immediately before the  
9 effective date of this Section. If, however, an employment  
10 contract that is in place on or before the effective date of  
11 this Section authorizes an increase in earnings, salary, or  
12 wages on or after the effective date of this Section, then the  
13 annual earnings, salary, or wages of the member during the 365  
14 days that immediately precede the date that the contract  
15 expires may be used in lieu of the amount specified in item  
16 (ii) of this Section.

17 (40 ILCS 5/16-122.2 new)

18 Sec. 16-122.2. Traditional benefit package. "Traditional  
19 benefit package" means the defined benefit retirement program  
20 maintained by the System, which includes retirement annuities  
21 payable directly from the System, as provided in Sections  
22 16-132, 16-133, 16-133.1, and 16-136; survivor's annuities  
23 payable directly from the System, as provided in Sections  
24 16-140, 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143,

1 and 16-143.1; and contribution refunds, as provided in Section  
2 16-151.

3 (40 ILCS 5/16-122.3 new)

4 Sec. 16-122.3. Self-managed plan. "Self-managed plan"  
5 means the defined contribution retirement program maintained  
6 by the System, as described in Section 16-158.2. The  
7 self-managed plan does not include retirement annuities or  
8 survivor's benefits payable directly from the System, as  
9 provided in Sections 16-132, 16-133, 16-133.1, 16-136, 16-140,  
10 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143, and  
11 16-143.1 or refunds determined under Section 16-151.

12 (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

13 Sec. 16-152. Contributions by members.

14 (a) Each member shall make contributions for membership  
15 service to this System as follows:

16 (1) Effective July 1, 1998, contributions of 7.50% of  
17 salary towards the cost of the retirement annuity. Such  
18 contributions shall be deemed "normal contributions".

19 (2) Effective July 1, 1969, contributions of 1/2 of 1%  
20 of salary toward the cost of the automatic annual increase  
21 in retirement annuity provided under Section 16-133.1.

22 (3) Effective July 24, 1959, contributions of 1% of  
23 salary towards the cost of survivor benefits. Such  
24 contributions shall not be credited to the individual

1 account of the member and shall not be subject to refund  
2 except as provided under Section 16-143.2.

3 (4) Effective July 1, 2005, contributions of 0.40% of  
4 salary toward the cost of the early retirement without  
5 discount option provided under Section 16-133.2. This  
6 contribution shall cease upon termination of the early  
7 retirement without discount option as provided in Section  
8 16-176.

9 (b) The minimum required contribution for any year of  
10 full-time teaching service shall be \$192.

11 (c) Contributions shall not be required of any annuitant  
12 receiving a retirement annuity who is given employment as  
13 permitted under Section 16-118 or 16-150.1.

14 (d) A person who (i) was a member before July 1, 1998, (ii)  
15 retires with more than 34 years of creditable service, and  
16 (iii) does not elect to qualify for the augmented rate under  
17 Section 16-129.1 shall be entitled, at the time of retirement,  
18 to receive a partial refund of contributions made under this  
19 Section for service occurring after the later of June 30, 1998  
20 or attainment of 34 years of creditable service, in an amount  
21 equal to 1.00% of the salary upon which those contributions  
22 were based.

23 (e) A member's contributions toward the cost of early  
24 retirement without discount made under item (a)(4) of this  
25 Section shall not be refunded if the member has elected early  
26 retirement without discount under Section 16-133.2 and has

1 begun to receive a retirement annuity under this Article  
2 calculated in accordance with that election. Otherwise, a  
3 member's contributions toward the cost of early retirement  
4 without discount made under item (a)(4) of this Section shall  
5 be refunded according to whichever one of the following  
6 circumstances occurs first:

7 (1) The contributions shall be refunded to the member,  
8 without interest, within 120 days after the member's  
9 retirement annuity commences, if the member does not elect  
10 early retirement without discount under Section 16-133.2.

11 (2) The contributions shall be included, without  
12 interest, in any refund claimed by the member under Section  
13 16-151.

14 (3) The contributions shall be refunded to the member's  
15 designated beneficiary (or if there is no beneficiary, to  
16 the member's estate), without interest, if the member dies  
17 without having begun to receive a retirement annuity under  
18 this Article.

19 (4) The contributions shall be refunded to the member,  
20 without interest, within 120 days after the early  
21 retirement without discount option provided under Section  
22 16-133.2 is terminated under Section 16-176.

23 (f) Notwithstanding any provision of this Code to the  
24 contrary, (i) for a member who does not file an election under  
25 subsection (a-5) of Section 16-158.2, any contributions on  
26 amounts of salary in excess of the limit specified in Section

1 16-121.1 for that year shall instead be used to finance  
2 self-managed plan benefits and (ii) for a member who files an  
3 election under subsection (a-5) of Section 16-158.2, any  
4 contributions made after the date of the election, including  
5 the contributions for a survivor's annuity, shall be used to  
6 finance the benefits under Section 16-158.2. Notwithstanding  
7 any provision of this Code to the contrary, a member who does  
8 not file an election under subsection (a-5) of Section 16-158.2  
9 shall contribute towards the traditional benefit package a  
10 percentage of salary equal to the greater of (i) one-half of  
11 the normal cost of the traditional benefit package or (ii) 6%  
12 of salary.

13 (Source: P.A. 93-320, eff. 7-23-03; 94-4, eff. 6-1-05.)

14 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)  
15 Sec. 16-158. Contributions by State and other employing  
16 units.

17 (a) The State shall make contributions to the System by  
18 means of appropriations from the Common School Fund and other  
19 State funds of amounts which, together with other employer  
20 contributions, employee contributions, investment income, and  
21 other income, will be sufficient to meet the cost of  
22 maintaining and administering the System on a 100% ~~90%~~ funded  
23 basis in accordance with actuarial recommendations.

24 The Board shall determine the amount of State contributions  
25 required for each fiscal year on the basis of the actuarial

1 tables and other assumptions adopted by the Board and the  
2 recommendations of the actuary, using the formula in subsection  
3 (b-3).

4 (a-1) Annually, on or before November 15 until November 15,  
5 2011, the Board shall certify to the Governor the amount of the  
6 required State contribution for the coming fiscal year. The  
7 certification under this subsection (a-1) shall include a copy  
8 of the actuarial recommendations upon which it is based and  
9 shall specifically identify the System's projected State  
10 normal cost for that fiscal year.

11 On or before May 1, 2004, the Board shall recalculate and  
12 recertify to the Governor the amount of the required State  
13 contribution to the System for State fiscal year 2005, taking  
14 into account the amounts appropriated to and received by the  
15 System under subsection (d) of Section 7.2 of the General  
16 Obligation Bond Act.

17 On or before July 1, 2005, the Board shall recalculate and  
18 recertify to the Governor the amount of the required State  
19 contribution to the System for State fiscal year 2006, taking  
20 into account the changes in required State contributions made  
21 by this amendatory Act of the 94th General Assembly.

22 On or before April 1, 2011, the Board shall recalculate and  
23 recertify to the Governor the amount of the required State  
24 contribution to the System for State fiscal year 2011, applying  
25 the changes made by Public Act 96-889 to the System's assets  
26 and liabilities as of June 30, 2009 as though Public Act 96-889

1 was approved on that date.

2 (a-5) On or before November 1 of each year, beginning  
3 November 1, 2012, the Board shall submit to the State Actuary,  
4 the Governor, and the General Assembly a proposed certification  
5 of the amount of the required State contribution to the System  
6 for the next fiscal year, along with all of the actuarial  
7 assumptions, calculations, and data upon which that proposed  
8 certification is based. On or before January 1 of each year,  
9 beginning January 1, 2013, the State Actuary shall issue a  
10 preliminary report concerning the proposed certification and  
11 identifying, if necessary, recommended changes in actuarial  
12 assumptions that the Board must consider before finalizing its  
13 certification of the required State contributions. On or before  
14 January 15, 2013 and each January 15 thereafter, the Board  
15 shall certify to the Governor and the General Assembly the  
16 amount of the required State contribution for the next fiscal  
17 year. The Board's certification must note any deviations from  
18 the State Actuary's recommended changes, the reason or reasons  
19 for not following the State Actuary's recommended changes, and  
20 the fiscal impact of not following the State Actuary's  
21 recommended changes on the required State contribution.

22 (b) Through State fiscal year 1995, the State contributions  
23 shall be paid to the System in accordance with Section 18-7 of  
24 the School Code.

25 (b-1) Beginning in State fiscal year 1996, on the 15th day  
26 of each month, or as soon thereafter as may be practicable, the

1 Board shall submit vouchers for payment of State contributions  
2 to the System, in a total monthly amount of one-twelfth of the  
3 required annual State contribution certified under subsection  
4 (a-1). From the effective date of this amendatory Act of the  
5 93rd General Assembly through June 30, 2004, the Board shall  
6 not submit vouchers for the remainder of fiscal year 2004 in  
7 excess of the fiscal year 2004 certified contribution amount  
8 determined under this Section after taking into consideration  
9 the transfer to the System under subsection (a) of Section  
10 6z-61 of the State Finance Act. These vouchers shall be paid by  
11 the State Comptroller and Treasurer by warrants drawn on the  
12 funds appropriated to the System for that fiscal year.

13 If in any month the amount remaining unexpended from all  
14 other appropriations to the System for the applicable fiscal  
15 year (including the appropriations to the System under Section  
16 8.12 of the State Finance Act and Section 1 of the State  
17 Pension Funds Continuing Appropriation Act) is less than the  
18 amount lawfully vouchered under this subsection, the  
19 difference shall be paid from the Common School Fund under the  
20 continuing appropriation authority provided in Section 1.1 of  
21 the State Pension Funds Continuing Appropriation Act.

22 (b-2) Allocations from the Common School Fund apportioned  
23 to school districts not coming under this System shall not be  
24 diminished or affected by the provisions of this Article.

25 (b-3) For State fiscal years 2012 through 2045, the minimum  
26 contribution to the System to be made by the State for each

1 fiscal year shall be an amount determined by the System to be  
2 sufficient to bring the total assets of the System up to 100%  
3 ~~90%~~ of the total actuarial liabilities of the System by the end  
4 of State fiscal year 2045.

5 Pursuant to Article XIII of the 1970 Constitution of the  
6 State of Illinois, beginning on July 1, 2013, the State shall,  
7 as a retirement benefit to each participant and annuitant of  
8 the System be contractually obligated to the System (as a  
9 fiduciary and trustee of the participants and annuitants) to  
10 pay the Annual Required State Contribution, as determined by  
11 the Board of the System using generally accepted actuarial  
12 principles, as is necessary to bring the total assets of the  
13 System up to 100% of the total actuarial liabilities of the  
14 System by the end of State fiscal year 2045. As a further  
15 retirement benefit and contractual obligation, each fiscal  
16 year, the State shall pay to each designated retirement system  
17 the Annual Required State Contribution certified by the Board  
18 for that fiscal year. Payments of the Annual Required State  
19 Contribution for each fiscal year shall be made in equal  
20 monthly installments. This Section, and the security it  
21 provides to participants and annuitants is intended to be, and  
22 is, a contractual right that is part of the pension benefits  
23 provided to the participants and annuitants. Notwithstanding  
24 anything to the contrary in the Court of Claims Act or any  
25 other law, a designated retirement system has the exclusive  
26 right to and shall bring a Mandamus action in the Circuit Court

1 of Champaign County against the State to compel the State to  
2 make any installment of the Annual Required State Contribution  
3 required by this Section, irrespective of other remedies that  
4 may be available to the System. Each member or annuitant of the  
5 System has the right to bring a Mandamus action against the  
6 System in the Circuit Court in any judicial district in which  
7 the System maintains an office if the System fails to bring an  
8 action specified in this Section, irrespective of other  
9 remedies that may be available to the member or annuitant. ~~In~~  
10 ~~making these determinations, the required State contribution~~  
11 ~~shall be calculated each year as a level percentage of payroll~~  
12 ~~over the years remaining to and including fiscal year 2045 and~~  
13 ~~shall be determined under the projected unit credit actuarial~~  
14 ~~cost method.~~

15 For State fiscal years 1996 through 2005, the State  
16 contribution to the System, as a percentage of the applicable  
17 employee payroll, shall be increased in equal annual increments  
18 so that by State fiscal year 2011, the State is contributing at  
19 the rate required under this Section; except that in the  
20 following specified State fiscal years, the State contribution  
21 to the System shall not be less than the following indicated  
22 percentages of the applicable employee payroll, even if the  
23 indicated percentage will produce a State contribution in  
24 excess of the amount otherwise required under this subsection  
25 and subsection (a), and notwithstanding any contrary  
26 certification made under subsection (a-1) before the effective

1 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%  
2 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY  
3 2003; and 13.56% in FY 2004.

4 Notwithstanding any other provision of this Article, the  
5 total required State contribution for State fiscal year 2006 is  
6 \$534,627,700.

7 Notwithstanding any other provision of this Article, the  
8 total required State contribution for State fiscal year 2007 is  
9 \$738,014,500.

10 For each of State fiscal years 2008 through 2009, the State  
11 contribution to the System, as a percentage of the applicable  
12 employee payroll, shall be increased in equal annual increments  
13 from the required State contribution for State fiscal year  
14 2007, so that by State fiscal year 2011, the State is  
15 contributing at the rate otherwise required under this Section.

16 Notwithstanding any other provision of this Article, the  
17 total required State contribution for State fiscal year 2010 is  
18 \$2,089,268,000 and shall be made from the proceeds of bonds  
19 sold in fiscal year 2010 pursuant to Section 7.2 of the General  
20 Obligation Bond Act, less (i) the pro rata share of bond sale  
21 expenses determined by the System's share of total bond  
22 proceeds, (ii) any amounts received from the Common School Fund  
23 in fiscal year 2010, and (iii) any reduction in bond proceeds  
24 due to the issuance of discounted bonds, if applicable.

25 Notwithstanding any other provision of this Article, the  
26 total required State contribution for State fiscal year 2011 is

1 the amount recertified by the System on or before April 1, 2011  
2 pursuant to subsection (a-1) of this Section and shall be made  
3 from the proceeds of bonds sold in fiscal year 2011 pursuant to  
4 Section 7.2 of the General Obligation Bond Act, less (i) the  
5 pro rata share of bond sale expenses determined by the System's  
6 share of total bond proceeds, (ii) any amounts received from  
7 the Common School Fund in fiscal year 2011, and (iii) any  
8 reduction in bond proceeds due to the issuance of discounted  
9 bonds, if applicable. This amount shall include, in addition to  
10 the amount certified by the System, an amount necessary to meet  
11 employer contributions required by the State as an employer  
12 under paragraph (e) of this Section, which may also be used by  
13 the System for contributions required by paragraph (a) of  
14 Section 16-127.

15 Beginning in State fiscal year 2046, the minimum State  
16 contribution for each fiscal year shall be the amount needed to  
17 maintain the total assets of the System at 100% ~~90%~~ of the  
18 total actuarial liabilities of the System.

19 Amounts received by the System pursuant to Section 25 of  
20 the Budget Stabilization Act or Section 8.12 of the State  
21 Finance Act in any fiscal year do not reduce and do not  
22 constitute payment of any portion of the minimum State  
23 contribution required under this Article in that fiscal year.  
24 Such amounts shall not reduce, and shall not be included in the  
25 calculation of, the required State contributions under this  
26 Article in any future year until the System has reached a

1 funding ratio of at least 90%. A reference in this Article to  
2 the "required State contribution" or any substantially similar  
3 term does not include or apply to any amounts payable to the  
4 System under Section 25 of the Budget Stabilization Act.

5 Notwithstanding any other provision of this Section, the  
6 required State contribution for State fiscal year 2005 and for  
7 fiscal year 2008 and each fiscal year thereafter, as calculated  
8 under this Section and certified under subsection (a-1), shall  
9 not exceed an amount equal to (i) the amount of the required  
10 State contribution that would have been calculated under this  
11 Section for that fiscal year if the System had not received any  
12 payments under subsection (d) of Section 7.2 of the General  
13 Obligation Bond Act, minus (ii) the portion of the State's  
14 total debt service payments for that fiscal year on the bonds  
15 issued in fiscal year 2003 for the purposes of that Section  
16 7.2, as determined and certified by the Comptroller, that is  
17 the same as the System's portion of the total moneys  
18 distributed under subsection (d) of Section 7.2 of the General  
19 Obligation Bond Act. In determining this maximum for State  
20 fiscal years 2008 through 2010, however, the amount referred to  
21 in item (i) shall be increased, as a percentage of the  
22 applicable employee payroll, in equal increments calculated  
23 from the sum of the required State contribution for State  
24 fiscal year 2007 plus the applicable portion of the State's  
25 total debt service payments for fiscal year 2007 on the bonds  
26 issued in fiscal year 2003 for the purposes of Section 7.2 of

1 the General Obligation Bond Act, so that, by State fiscal year  
2 2011, the State is contributing at the rate otherwise required  
3 under this Section.

4 (c) Payment of the required State contributions and of all  
5 pensions, retirement annuities, death benefits, refunds, and  
6 other benefits granted under or assumed by this System, and all  
7 expenses in connection with the administration and operation  
8 thereof, are obligations of the State.

9 If members are paid from special trust or federal funds  
10 which are administered by the employing unit, whether school  
11 district or other unit, the employing unit shall pay to the  
12 System from such funds the full accruing retirement costs based  
13 upon that service, as determined by the System. Employer  
14 contributions, based on salary paid to members from federal  
15 funds, may be forwarded by the distributing agency of the State  
16 of Illinois to the System prior to allocation, in an amount  
17 determined in accordance with guidelines established by such  
18 agency and the System.

19 (d) Effective July 1, 1986, any employer of a teacher as  
20 defined in paragraph (8) of Section 16-106 shall pay the  
21 employer's normal cost of benefits based upon the teacher's  
22 service, in addition to employee contributions, as determined  
23 by the System. Such employer contributions shall be forwarded  
24 monthly in accordance with guidelines established by the  
25 System.

26 However, with respect to benefits granted under Section

1 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)  
2 of Section 16-106, the employer's contribution shall be 12%  
3 (rather than 20%) of the member's highest annual salary rate  
4 for each year of creditable service granted, and the employer  
5 shall also pay the required employee contribution on behalf of  
6 the teacher. For the purposes of Sections 16-133.4 and  
7 16-133.5, a teacher as defined in paragraph (8) of Section  
8 16-106 who is serving in that capacity while on leave of  
9 absence from another employer under this Article shall not be  
10 considered an employee of the employer from which the teacher  
11 is on leave.

12 (e) Beginning July 1, 1998, every employer of a teacher  
13 shall pay to the System an employer contribution computed as  
14 follows:

15 (1) Beginning July 1, 1998 through June 30, 1999, the  
16 employer contribution shall be equal to 0.3% of each  
17 teacher's salary.

18 (2) Beginning July 1, 1999 and thereafter, the employer  
19 contribution shall be equal to 0.58% of each teacher's  
20 salary.

21 The school district or other employing unit may pay these  
22 employer contributions out of any source of funding available  
23 for that purpose and shall forward the contributions to the  
24 System on the schedule established for the payment of member  
25 contributions.

26 These employer contributions are intended to offset a

1 portion of the cost to the System of the increases in  
2 retirement benefits resulting from this amendatory Act of 1998.

3 Each employer of teachers is entitled to a credit against  
4 the contributions required under this subsection (e) with  
5 respect to salaries paid to teachers for the period January 1,  
6 2002 through June 30, 2003, equal to the amount paid by that  
7 employer under subsection (a-5) of Section 6.6 of the State  
8 Employees Group Insurance Act of 1971 with respect to salaries  
9 paid to teachers for that period.

10 The additional 1% employee contribution required under  
11 Section 16-152 by this amendatory Act of 1998 is the  
12 responsibility of the teacher and not the teacher's employer,  
13 unless the employer agrees, through collective bargaining or  
14 otherwise, to make the contribution on behalf of the teacher.

15 If an employer is required by a contract in effect on May  
16 1, 1998 between the employer and an employee organization to  
17 pay, on behalf of all its full-time employees covered by this  
18 Article, all mandatory employee contributions required under  
19 this Article, then the employer shall be excused from paying  
20 the employer contribution required under this subsection (e)  
21 for the balance of the term of that contract. The employer and  
22 the employee organization shall jointly certify to the System  
23 the existence of the contractual requirement, in such form as  
24 the System may prescribe. This exclusion shall cease upon the  
25 termination, extension, or renewal of the contract at any time  
26 after May 1, 1998.

1 (f) If the amount of a teacher's salary for any school year  
2 used to determine final average salary exceeds the member's  
3 annual full-time salary rate with the same employer for the  
4 previous school year by more than 6%, the teacher's employer  
5 shall pay to the System, in addition to all other payments  
6 required under this Section and in accordance with guidelines  
7 established by the System, the present value of the increase in  
8 benefits resulting from the portion of the increase in salary  
9 that is in excess of 6%. This present value shall be computed  
10 by the System on the basis of the actuarial assumptions and  
11 tables used in the most recent actuarial valuation of the  
12 System that is available at the time of the computation. If a  
13 teacher's salary for the 2005-2006 school year is used to  
14 determine final average salary under this subsection (f), then  
15 the changes made to this subsection (f) by Public Act 94-1057  
16 shall apply in calculating whether the increase in his or her  
17 salary is in excess of 6%. For the purposes of this Section,  
18 change in employment under Section 10-21.12 of the School Code  
19 on or after June 1, 2005 shall constitute a change in employer.  
20 The System may require the employer to provide any pertinent  
21 information or documentation. The changes made to this  
22 subsection (f) by this amendatory Act of the 94th General  
23 Assembly apply without regard to whether the teacher was in  
24 service on or after its effective date.

25 Whenever it determines that a payment is or may be required  
26 under this subsection, the System shall calculate the amount of

1 the payment and bill the employer for that amount. The bill  
2 shall specify the calculations used to determine the amount  
3 due. If the employer disputes the amount of the bill, it may,  
4 within 30 days after receipt of the bill, apply to the System  
5 in writing for a recalculation. The application must specify in  
6 detail the grounds of the dispute and, if the employer asserts  
7 that the calculation is subject to subsection (g) or (h) of  
8 this Section, must include an affidavit setting forth and  
9 attesting to all facts within the employer's knowledge that are  
10 pertinent to the applicability of that subsection. Upon  
11 receiving a timely application for recalculation, the System  
12 shall review the application and, if appropriate, recalculate  
13 the amount due.

14 The employer contributions required under this subsection  
15 (f) may be paid in the form of a lump sum within 90 days after  
16 receipt of the bill. If the employer contributions are not paid  
17 within 90 days after receipt of the bill, then interest will be  
18 charged at a rate equal to the System's annual actuarially  
19 assumed rate of return on investment compounded annually from  
20 the 91st day after receipt of the bill. Payments must be  
21 concluded within 3 years after the employer's receipt of the  
22 bill.

23 (g) This subsection (g) applies only to payments made or  
24 salary increases given on or after June 1, 2005 but before July  
25 1, 2011. The changes made by Public Act 94-1057 shall not  
26 require the System to refund any payments received before July

1 31, 2006 (the effective date of Public Act 94-1057).

2 When assessing payment for any amount due under subsection  
3 (f), the System shall exclude salary increases paid to teachers  
4 under contracts or collective bargaining agreements entered  
5 into, amended, or renewed before June 1, 2005.

6 When assessing payment for any amount due under subsection  
7 (f), the System shall exclude salary increases paid to a  
8 teacher at a time when the teacher is 10 or more years from  
9 retirement eligibility under Section 16-132 or 16-133.2.

10 When assessing payment for any amount due under subsection  
11 (f), the System shall exclude salary increases resulting from  
12 overload work, including summer school, when the school  
13 district has certified to the System, and the System has  
14 approved the certification, that (i) the overload work is for  
15 the sole purpose of classroom instruction in excess of the  
16 standard number of classes for a full-time teacher in a school  
17 district during a school year and (ii) the salary increases are  
18 equal to or less than the rate of pay for classroom instruction  
19 computed on the teacher's current salary and work schedule.

20 When assessing payment for any amount due under subsection  
21 (f), the System shall exclude a salary increase resulting from  
22 a promotion (i) for which the employee is required to hold a  
23 certificate or supervisory endorsement issued by the State  
24 Teacher Certification Board that is a different certification  
25 or supervisory endorsement than is required for the teacher's  
26 previous position and (ii) to a position that has existed and

1 been filled by a member for no less than one complete academic  
2 year and the salary increase from the promotion is an increase  
3 that results in an amount no greater than the lesser of the  
4 average salary paid for other similar positions in the district  
5 requiring the same certification or the amount stipulated in  
6 the collective bargaining agreement for a similar position  
7 requiring the same certification.

8 When assessing payment for any amount due under subsection  
9 (f), the System shall exclude any payment to the teacher from  
10 the State of Illinois or the State Board of Education over  
11 which the employer does not have discretion, notwithstanding  
12 that the payment is included in the computation of final  
13 average salary.

14 (h) When assessing payment for any amount due under  
15 subsection (f), the System shall exclude any salary increase  
16 described in subsection (g) of this Section given on or after  
17 July 1, 2011 but before July 1, 2014 under a contract or  
18 collective bargaining agreement entered into, amended, or  
19 renewed on or after June 1, 2005 but before July 1, 2011.  
20 Notwithstanding any other provision of this Section, any  
21 payments made or salary increases given after June 30, 2014  
22 shall be used in assessing payment for any amount due under  
23 subsection (f) of this Section.

24 (i) The System shall prepare a report and file copies of  
25 the report with the Governor and the General Assembly by  
26 January 1, 2007 that contains all of the following information:

1           (1) The number of recalculations required by the  
2 changes made to this Section by Public Act 94-1057 for each  
3 employer.

4           (2) The dollar amount by which each employer's  
5 contribution to the System was changed due to  
6 recalculations required by Public Act 94-1057.

7           (3) The total amount the System received from each  
8 employer as a result of the changes made to this Section by  
9 Public Act 94-4.

10          (4) The increase in the required State contribution  
11 resulting from the changes made to this Section by Public  
12 Act 94-1057.

13          (j) For purposes of determining the required State  
14 contribution to the System, the value of the System's assets  
15 shall be equal to the actuarial value of the System's assets,  
16 which shall be calculated as follows:

17           As of June 30, 2008, the actuarial value of the System's  
18 assets shall be equal to the market value of the assets as of  
19 that date. In determining the actuarial value of the System's  
20 assets for fiscal years after June 30, 2008, any actuarial  
21 gains or losses from investment return incurred in a fiscal  
22 year shall be recognized in equal annual amounts over the  
23 5-year period following that fiscal year.

24          (k) For purposes of determining the required State  
25 contribution to the system for a particular year, the actuarial  
26 value of assets shall be assumed to earn a rate of return equal

1 to the system's actuarially assumed rate of return.

2 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;  
3 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-694, eff.  
4 6-18-12; 97-813, eff. 7-13-12.)

5 (40 ILCS 5/16-158.2 new)

6 Sec. 16-158.2. Self-managed plan.

7 (a) The Teachers' Retirement System of the State of  
8 Illinois must establish and administer a self-managed plan that  
9 shall offer member the opportunity to accumulate assets for  
10 retirement through a combination of member and State  
11 contributions that may be invested in mutual funds, collective  
12 investment funds, or other investment products and used to  
13 purchase annuity contracts, that are fixed, variable, or a  
14 combination of fixed and variable. The plan must be qualified  
15 under the Internal Revenue Code of 1986.

16 The Teachers' Retirement System of the State of Illinois  
17 shall be the plan sponsor for the self-managed plan and shall  
18 prepare a plan document and adopt any rules and procedures that  
19 are considered necessary or desirable for the administration of  
20 the self-managed plan. Consistent with its fiduciary duty to  
21 the members and beneficiaries of the self-managed plan, the  
22 Board of Trustees of the System may delegate aspects of plan  
23 administration as it sees fit to companies authorized to do  
24 business in this State.

25 (a-5) A member may file an irrevocable election to transfer

1 amounts equal to the member's total contributions under the  
2 traditional benefit package, with interest, to the  
3 self-managed plan under this Section. By filing the election, a  
4 member forfeits all accrued rights and benefits under the  
5 traditional benefit package.

6 (b) Notwithstanding any other provision of this Code, (i)  
7 for a member who does not file an election under subsection  
8 (a-5) of this Section, any portion of his or her salary that  
9 exceeds the limit specified in Section 16-121.1 for that year  
10 shall be subject to the self-managed plan and (ii) for a member  
11 who files an election under subsection (a-5) of this Section,  
12 the entirety of the member's salary shall, after the date of  
13 the election, be subject to the self-managed plan created under  
14 this Section.

15 (c) The System shall solicit proposals to provide  
16 administrative services and funding vehicles for the  
17 self-managed plan from insurance and annuity companies and  
18 mutual fund companies, banks, trust companies, or other  
19 financial institutions authorized to do business in this State.  
20 In reviewing the proposals received and approving and  
21 contracting with no fewer than 2 and no more than 7 companies,  
22 the Board of Trustees of the System shall consider, among other  
23 things, the following criteria:

24 (1) the nature and extent of the benefits that would be  
25 provided to the members;

26 (2) the reasonableness of the benefits in relation to

1       the premium charged;

2           (3) the suitability of the benefits to the needs and  
3       interests of the members and the State; and

4           (4) the ability of the company to provide benefits  
5       under the contract and the financial stability of the  
6       company.

7       The System shall periodically review each approved  
8       company. A company may continue to provide administrative  
9       services and funding vehicles for the self-managed plan only so  
10       long as it continues to be an approved company under contract  
11       with the Board.

12       In addition to the companies approved by the System under  
13       this subsection (c), the System may offer its members an  
14       investment fund managed by the Illinois State Board of  
15       Investment.

16       (d) Members in the program must be allowed to direct the  
17       transfer of their account balances among the various investment  
18       options offered, subject to applicable contractual provisions.  
19       The member shall not be deemed a fiduciary by reason of  
20       providing such investment direction. A person who is a  
21       fiduciary shall not be liable for any loss resulting from that  
22       investment direction and shall not be deemed to have breached  
23       any fiduciary duty by acting in accordance with that direction.  
24       Neither the System nor the State shall guarantee any of the  
25       investments in the member's account balances.

26       (e) Participation in the self-managed plan under this

1 Section shall constitute participation in the Teachers'  
2 Retirement System of the State of Illinois.

3 (f) The self-managed plan shall be funded by contributions  
4 from members in the self-managed plan and State contributions  
5 as provided in this Section.

6 The contribution rate for members in the self-managed plan  
7 shall be, (i) for a member who does not file an election under  
8 subsection (a-5) of this Section, 6% of the amount of salary in  
9 excess of the limit specified in Section 16-121.1 for that  
10 year, in addition to the amount specified under subsection (f)  
11 of Section 16-152 for that year and (ii) for a member who files  
12 an election under subsection (a-5) of this Section, 8% of any  
13 amount of salary up to and including the limit specified in  
14 Section 16-121.1 for that year and 6% of any amount of salary  
15 in excess of that limit for that year. This required  
16 contribution shall be made as an employer pick-up under Section  
17 414(h) of the Internal Revenue Code of 1986 or any successor  
18 Section thereof. Any member in the System's traditional benefit  
19 package prior to his or her election to participate in the  
20 self-managed plan shall continue to have the employer pick up  
21 the contributions required under Section 16-152. However, the  
22 amounts picked up after the election of the self-managed plan  
23 shall be remitted to and treated as assets of the self-managed  
24 plan. In no event shall a member have the option of receiving  
25 these amounts in cash. Members may make additional  
26 contributions to the self-managed plan in accordance with

1 procedures prescribed by the System, to the extent permitted  
2 under rules adopted by the System.

3 The program shall provide for employer and State  
4 contributions to the self-managed plan in the following  
5 amounts: (i) for a member who does not file an election under  
6 subsection (a-5) of this Section, 3% of the amount of salary in  
7 excess of the limit specified in Section 16-121.1 for that  
8 year, to be paid by the actual employer, and (ii) for a member  
9 who files an election under subsection (a-5) of this Section,  
10 7.1% of any amount of salary up to and including the limit  
11 specified in Section 16-121.1 for that year, to be paid by the  
12 State, and 3% of any amount of salary in excess of that limit  
13 for that year, to be paid by the actual employer.

14 The State of Illinois shall make contributions by  
15 appropriations to the System for members in the self-managed  
16 plan under this Section. The amount required shall be certified  
17 by the Board of Trustees of the System and paid by the State in  
18 accordance with Section 16-158. The System shall not be  
19 obligated to remit the required State contributions to any of  
20 the insurance and annuity companies, mutual fund companies,  
21 banks, trust companies, financial institutions, or other  
22 sponsors of any of the funding vehicles offered under the  
23 self-managed plan until it has received the required State  
24 contributions from the State.

25 (g) If a member in the self-managed plan who is otherwise  
26 vested under this Article terminates employment, the member

1 shall be entitled to a benefit that is based on the account  
2 values attributable to both State and member contributions and  
3 any investment return thereon.

4 If a member in the self-managed plan who is not otherwise  
5 vested under this Article terminates employment, the member  
6 shall be entitled to a benefit based solely on the account  
7 values attributable to the member's contributions and any  
8 investment return thereon, and the State contributions and any  
9 investment return thereon shall be forfeited. Any State  
10 contributions that are forfeited shall be held in escrow by the  
11 company investing those contributions and shall be used, as  
12 directed by the System, for future allocations of State  
13 contributions.

14 (40 ILCS 5/16-181.4 new)

15 Sec. 16-181.4. To calculate the normal cost of benefits. To  
16 calculate the normal cost of each plan offered by the system as  
17 a percentage of salary and to update those amounts at least  
18 every 3 years.

19 Section 90. The State Mandates Act is amended by adding  
20 Section 8.37 as follows:

21 (30 ILCS 805/8.37 new)

22 Sec. 8.37. Exempt mandate. Notwithstanding Sections 6 and 8  
23 of this Act, no reimbursement by the State is required for the

1 implementation of any mandate created by this amendatory Act of  
2 the 98th General Assembly.

3 Section 99. Effective date. This Act takes effect upon  
4 becoming law.

1		INDEX
2		Statutes amended in order of appearance
3	30 ILCS 122/20	
4	30 ILCS 122/25	
5	40 ILCS 5/15-111	from Ch. 108 1/2, par. 15-111
6	40 ILCS 5/15-112.1 new	
7	40 ILCS 5/15-155	from Ch. 108 1/2, par. 15-155
8	40 ILCS 5/15-157	from Ch. 108 1/2, par. 15-157
9	40 ILCS 5/15-158.2	
10	40 ILCS 5/15-165.1 new	
11	40 ILCS 5/16-121	from Ch. 108 1/2, par. 16-121
12	40 ILCS 5/16-121.1 new	
13	40 ILCS 5/16-122.2 new	
14	40 ILCS 5/16-122.3 new	
15	40 ILCS 5/16-152	from Ch. 108 1/2, par. 16-152
16	40 ILCS 5/16-158	from Ch. 108 1/2, par. 16-158
17	40 ILCS 5/16-158.2 new	
18	40 ILCS 5/16-181.4 new	
19	30 ILCS 805/8.37 new	